

State of Kansas
Notes to the Financial Statements
June 30, 2013

IV. Other Information

Additional information as of the latest actuarial valuation follows:

	<u>KPERS</u>	<u>KP&F</u>	<u>Judges</u>
Valuation Date	12/31/2012	12/31/2012	12/31/2012
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent closed	Level Percent closed	Level Dollar closed
Remaining amortization period	20 years	20 years	20 years
Asset valuation method	Difference between actual return and expected return on market value recognized evenly over five-year period. Value must be within corridor of 80 percent to 120 percent of market value.		
Actuarial assumptions:			
Investment rate of return*	8%	8%	8%
Projected salary increases*	4.0% - 12.0%	4.0% - 12.5%	4.50%
Cost of Living Adjustment	none	none	none

*Salary increases and investment rate of return include an inflation component of 3.0 percent.

Other Retirement Plans

Faculty and other eligible unclassified employees of the Board of Regents (Regents) office and State universities must participate in the Regents' mandatory retirement plan. Authorized by statute, this 403(b) defined contribution plan is funded through contributions by the employees and the employer (the Regents office or the State university). Employees are required to serve a one-year waiting period before becoming eligible to participate in the plan, but participation can begin earlier if certain waiver provisions are met. The contributions and earnings are fully vested with the first contribution.

Employees participating in the Regents' mandatory retirement plan are required to contribute 5.5 percent of their salary, up to the maximum dollar amount permitted by the Internal Revenue Code. During fiscal year 2013, employees contributed approximately \$42 million. During fiscal year 2013, the 8.5 percent employer contribution totaled \$65.8 million, representing covered wages of approximately \$781 million. These employees, along with employees who participate in the KPERS retirement program, may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the Regents' voluntary retirement plan, which allows the member to purchase a 403(b) contract to supplement the mandatory retirement plan. All employees, as well as student employees, also may elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the State's 457 deferred compensation program, to supplement their retirement savings.

The retirement plan for the School for the Blind and the School for the Deaf are also covered by KPERS in the 401(a) defined benefit plan. The KPERS employee rate is 4 percent and 7.97 percent employer rate (6.97 percent employer and one percent death & disability).

IV. Other Information

F. Subsequent Events

Bonds and Notes

Short-term Debt

Certificate of Indebtedness – On July 2, 2013, the Pooled Money Investment Board (PMIB) issued a \$300 million Certificate of Indebtedness per K.S.A. 75-3725a. See Section III-H, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

Accrued Receivables for Children's Initiatives Fund – In July 2013, receivables were posted to the State Treasurer's receivables for the Children's Initiatives Fund in the amount of \$28.1 million per Senate Bill No. 171, Section 111(h), Session of 2013. See Section III-H, Short-term Obligations, for additional information.

Accrued Receivables for Economic Development Initiatives Fund – In July 2013, receivables were posted to the State Treasurer's receivables for the Economic Development Initiatives Fund in the amount of \$21.2 million per Senate Bill No. 171, Section 111(h), Session of 2013.

Accrued Receivables for Correctional Institutions' Building Fund – In July 2013, receivables were posted to the State Treasurer's receivables for the Correctional Institutions' Building Fund in the amount of \$4.0 million per Senate Bill No. 171, Section 111(j), Session of 2013.

Accrued Receivables for Kansas Endowment for Youth Fund – In July 2013, receivables were posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund in the amount of \$195 thousand per Senate Bill No. 171, Section 111(k), Session of 2013.

Accrued Receivables for Expanded Lottery Act Revenues Fund – In July 2013, receivables were posted to the State Treasurer's receivables for the Expanded Lottery Act Revenues Fund in the amount of \$83.9 million per Senate Bill No. 171, Section 111(r), Session of 2013.

Long-term Debt

Revenue Bonds – In July 2013, the KDFA issued Revenue Bonds Series 2013A in the amount of \$71.9 million. The purpose of these bonds were to: a) provide approximately \$11.8 million for State Capitol restoration; b) provide permanent financing for a KWPT project of approximately \$1.6 million; c) provide a grant to the DHS for a portion of the State's cost share participation in NBAF of approximately \$45.5 million; d) to refund for economic savings a portion of KDFA Series 2004A-2; e) to refund for economic savings a portion of KDFA Series 2004G-1; and, f) to pay the costs associated with their issuance. The bonds were issued as premium bonds with coupons of 4.0% and 5.0% with final maturity on May 1, 2033.

Revenue Bonds – In July 2013, the KDFA issued Refunding Revenue Bonds Series 2013B in the amount of \$40.6 million. The purpose of these bonds were to: a) to refund \$25.6 million of the callable Series 2001D for economic savings; b) to advance refund \$18.8 million of the Series 2004A-1 for economic savings; and, c) to pay the costs associated with their issuance. The bonds were issued as combination premium and par bonds with coupons of 3.0%, 3.25% and 5.0% with final maturity on May 1, 2024.

Revenue Bonds – In August 2013, the KDFA issued Revenue Bonds Series 2013F-1 in the amount of \$40.6 million for the Wichita State University Union to fund construction of a new student housing facility on the campus and to redeem KDFA Series 2010D. The bonds were issued in a combination of premium and discount bonds with coupons ranging from 4.0% to 5.25% with final maturity on June 1, 2046.

IV. Other Information

Revenue Bonds – In August 2013, the KDFA issued Taxable Revenue Bonds Series 2013F-2 in the amount of \$8.3 million for the Wichita State University Union to fund construction of a new student dining facility on the campus. The bonds were issued in a combination of premium and par bonds with coupons ranging from 2.0% to 3.8% with final maturity on June 1, 2023.

Revenue Bonds – In September 2013, the KDFA issued Revenue Bonds Series 2013D-1 in the amount of \$7.6 million for the Kansas State University Foundation to fund a portion of the construction of a new office/research building adjacent to the university that will be leased to the Kansas Department of Agriculture. The bonds were issued in a combination of premium and discount bonds with coupons ranging from 4.0% to 5.0% with final maturity on October 1, 2033.

Revenue Bonds – In September 2013, the KDFA issued Taxable Revenue Bonds Series 2013D-2 in the amount of \$1.5 million for the Kansas State University Foundation to fund a portion of the construction of a new office/research building adjacent to the university that will be leased to the Kansas Department of Agriculture. The bonds were issued as premium bonds with coupons of 2.0% and 3.0% with final maturity on October 1, 2019.

Revenue Bonds – In October 2013, the KDFA issued Revenue Bonds Series 2013G-1 in the amount of \$74.4 million for the University of Kansas to construct a new Engineering School building on the campus. The bonds were issued in a combination of premium and discount bonds with coupons ranging from 4.0% to 5.0% with final maturity on May 1, 2038.

Revenue Bonds – In October 2013, the KDFA issued Revenue Bonds Series 2013G-2 in the amount of \$3.0 million for the University of Kansas to redeem a portion of KDFA Series 2003J-1. The bonds were issued as premium bonds with coupons of 4.0% and 5.0% with final maturity on May 1, 2019.

Promissory Note – In November 2013, the Pittsburg State University Foundation signed a promissory note and credit agreement for the construction of the indoor event center with a maximum balance of \$9.5 million that bears interest at the Wall Street Journal Prime Rate less 0.5% with limitations that the interest rate cannot go below 4.5% or above 9% with final maturity on November 1, 2018.

Other

The Kansas Turnpike Authority (KTA) was formed in 1953 pursuant to K.S.A. 68-2003. During the 2013 Kansas legislative session statutory amendments passed regarding the appointment of KTA Board members and the director of operations. Effective July 1, 2013 the five member Board is comprised of two gubernatorial appointees, the Secretary of the Kansas Department of Transportation (also a gubernatorial appointee pursuant to K.S.A 75-5001) and the chairpersons of the Standing Committees on Transportation of the Kansas Senate and House of Representatives. Additionally, the amendments designated the Secretary of Kansas Department of Transportation as the director of operations of the KTA which has responsibility for the daily administration of the KTA. These statutory changes will result in the KTA meeting the definition of a component unit of the State of Kansas effective as of July 1, 2013.

In December 2013, subsequent to year end, KDFA issued Kansas Revolving Funds Revenue Bonds Series 2013SRF-2, for \$5.1 million related to the Water Funds to provide the State match for the Water Pollution Control Revolving Fund and the Public Water Supply Loan Fund. The interest rate on the bonds is variable, with the initial rate of 0.5% that resets each January 1st and July 1st. The bonds mature on December 18, 2014.